

## EXECUTIVE SUMMARY

### First Progress Report

# LABOUR ADMINISTRATION AND COMPLIANCE IN JORDAN:

## A Multi-Stakeholder Collaboration

The Ministry of Labour  
Hashemite Kingdom of Jordan

OCTOBER 2009

**OVER THE PAST FEW YEARS**, the Government of Jordan has committed itself to an ambitious and comprehensive programme to strengthen labour administration, reform labour laws consistent with international standards, improve compliance throughout the nation, and enhance employment opportunities for Jordanian workers. To this end, the Government developed and released in March 2007 an Action Plan outlining its strategy and programme. The Ministry of Labour (MoL) has led the effort to implement and refine this programme in collaboration with a large number of domestic and international partners and stakeholders. The results achieved thus far are notable in terms of strengthened labour institutions and capacity, reforms to various Jordanian laws, and progress in implementing projects supported by international agencies.

These efforts are taking place in the context of the significant employment and economic growth challenges faced by Jordan. A middle-income developing country, Jordan has in the years before the global recession recorded strong GDP gains despite its limited natural resources and the difficult regional political environment. It has one of the youngest populations in the world, with a median age of 24, and an estimated population growth rate of 2.3 percent for 2009. These demographics require new jobs for an increasing number of new labour market entrants every year, and therefore the need to increase worker skills to support further productivity, market competitiveness, and overall long-term economic growth. Despite these challenges, the Government of Jordan successfully lowered the unemployment rate to 12.7 percent in 2008 from 14.8 percent in 2005. Given the impact of the global financial crisis, even more work remains to be done to create opportunities for the young and growing Jordanian population.

During the past decade, Jordan's commitment to domestic reform and openness to international trade has helped increase economic growth and employment. One well-known growth sector has been apparel. The apparel industry developed following the establishment of the Qualifying Industrial Zones (QIZs) in Jordan under the U.S.-Israeli Free Trade Agreement (FTA) that led to the eventual signing of the U.S.-Jordan FTA.

Between 2000 and 2006, apparel exports from Jordan to the United States grew from US \$50 million to some US \$1.25 billion. The rapid growth of the apparel sector put a strain on Jordan's labour market, resulting in a large influx of guest workers, primarily from Asia. This development constituted a particular challenge for Jordan's labour institutions in upholding worker rights. More recently, apparel sector exports have fallen, and will amount to less than US \$900 million in 2009. This reduction poses its own set of challenges for Jordan's labour institutions and employment market.

In response to the combined challenge of creating more jobs for Jordanians and ensuring worker rights for all workers in Jordan, in 2007 the Government adopted a comprehensive labour reform action plan. Within the framework of this Action Plan, the MoL continues to actively collaborate with domestic and international stakeholders to improve labor administration under a three pillar approach: (I) improving working conditions through enforcement and compliance assistance, (II) enhancing institutional capacity, and (III) increasing employment opportunities for Jordanians. In February 2008, the MoL published a comprehensive report on the substantial steps it had taken under each pillar to improve labour compliance in Jordan – *Labour Administration and Compliance in Jordan: A Multi-Stakeholder Collaboration*.<sup>1</sup>

This *Progress Report* is an update on new developments since February 2008, and summarizes the actions taken by the MoL and other domestic and international agencies in support of the three pillars of the strategic framework. Some highlights of these actions for each pillar are summarized below.

### **First Pillar – IMPROVING WORKING CONDITIONS THROUGH ENFORCEMENT AND COMPLIANCE ASSISTANCE**

The MoL has made important advances in improving working conditions through enforcement and compliance assistance.

Among the key compliance changes has been a major reform of the Golden List and the Intensive Inspection Surveillance List (IISL). The criteria for the Golden List, a mechanism to encourage employer compliance in apparel factories, has been made more rigorous. The operating approach to the IISL, which identifies those factories with the most serious compliance concerns, has also been strengthened. The MoL also continues to perform its regular enforcement activities, providing both compliance assistance and issuing sanctions when necessary. For example, in the four major QIZs, where most of the apparel-manufacturing sector is located, for the period July 1, 2008 - June 30, 2009, inspectors provided compliance advice on 856 occasions and issued 125 warnings and 2,293 fines.

Another important aspect of improving working conditions has been enhanced procedural protections for guest workers in Jordan. The Government of Jordan has been providing opportunities and resources to guest workers and their employers inside and outside of the QIZs to regularize their employment documentation and status, thereby limiting potential abuses.

### **Second Pillar – ENHANCING INSTITUTIONAL CAPACITY**

Since the 2008 report, many important advances have been made in enhancing Jordan's labour institutions. Such changes are helping to put in place a sustainable capacity to assure workplace compliance. Among the recent changes are further improvements in the labour inspectorate and modifications to the legal framework.

Notably, the MoL formalized inspection reform activities into the Inspection Reform Project and allocated an additional 2.2 million JD, which was, inter alia, used to recruit new inspectors and improve inspectorate training. To help with recruitment and training efforts, the MoL has established the National Inspector Centre, a facility to train inspectors. Since last year, 63 more inspectors were trained and sworn in. Under the umbrella of this project, the MoL has also cooperated with the International Finance Corporation (IFC) to develop inspection tools, including a desk manual for

<sup>1</sup> Both the *Labour Administration and Compliance in Jordan: A Multi-Stakeholder Collaboration* and the current *First Progress Report* are available on the Ministry of Labour's website – [www.mol.gov.jo](http://www.mol.gov.jo) – as well as the website of the Embassy of Jordan – [jordanembassyus.org](http://jordanembassyus.org).

## EXECUTIVE SUMMARY

inspectors. Providing better pay and the procurement of additional infrastructure for the labour inspectorate has also been an important part of the project.

Further, in response to the recent developments in the labour market, important changes to the Labour Code were formally adopted by the Parliament in June 2008. They include extending coverage to workers in the agriculture and domestic sectors, prohibiting forced labour, and prohibiting harassment and other forms of abuse. These amendments were based on recommendations by a tripartite consultative committee. The Cabinet has also agreed to another 35 amendments, which have been submitted to the Parliament for consideration. Most recently, in August 2009, the MoL issued the new regulations required under the June 2008 reform to specify the rights and protections for migrant domestic workers and the new stricter requirements governing private employment agencies that recruit such domestic workers.

One of the important initiatives under this pillar has been the implementation of the Better Work Jordan Project (BWJ) by the International Labour Organization (ILO). No other single initiative better signifies Jordan's commitment to assure world class labour compliance in its apparel sector and throughout the nation than this project. Jordan was just the second country in the world, and the only one in the region, to undertake such an ILO project with the level of accountability and transparency that is required. Thus far 17 factories have committed to participate in BWJ, representing approximately 20,000 workers or 40 percent of the current labor force in the apparel sector. BWJ expects to have 30 factories participating by the end of 2009, covering two-thirds of the labour force in the apparel sector. Major international buyers are strongly supportive of the BWJ program, and recognize it requires the very highest levels of labour compliance. The Government is currently considering measures to further boost factory participation in BWJ.

In addition, Jordan is increasing its efforts to eliminate forced labour and trafficking. A new anti-trafficking law came into force in March 2009. The Ministry gives the highest priority to combating forced labour,

as illustrated by the inclusion of a specific article prohibiting forced labour in the Labour Code in 2008. Also, in 2008, the MoL investigated and addressed more than 500 complaints through its labour hotline, some of which included indicators of possible forced labour.

The MoL has also coordinated the efforts of all agencies responsible for issues of forced labour and labour-related trafficking through different inter-Ministerial Committees. These are now being replaced by other mechanisms, such as the National Committee on Trafficking (NCT). Established under the new trafficking law, the NCT is currently developing a national strategy to combat trafficking as well as recommendations for establishing shelters for trafficking victims. In addition, the MoL continued working with an ILO project to undertake education and awareness raising programmes on forced labour and trafficking and remediation responses. Similarly, the Government of Jordan has worked to eliminate child labour through public awareness campaigns, and the improved training of labour inspectors on identifying child labour and coordinating with the appropriate social services agencies. A new National Child Labour Steering Committee has been established to further improve coordination between various government agencies and non-governmental stakeholders to better target resources against exploitative child labour.

The MoL has also established a Worker Humanitarian and Legal Assistance Fund, which provides aid to guest workers in the QIZs when necessary in terms of funding for food, lodging, airplane tickets, administrative visa fines, and lawyer fees. Since the country also has a sizeable migrant domestic worker population, the Government has worked to strengthen their protections through reforms to the Labour Code aimed at better specifying the rights and responsibilities of domestic workers and their employers, and strengthening the regulation of private employment agencies that recruit domestic workers. Given the importance of international cooperation to combat any potential abuses involving migrant workers, the Government of Jordan has completed a bilateral agreement with Indonesia and is negotiating similar migrant worker agreements with Sri Lanka and the Philippines.

### **Third Pillar — INCREASING EMPLOYMENT OPPORTUNITIES FOR JORDANIANS**

The overarching goal of the Government of Jordan is to increase employment opportunities for Jordanians, including in the apparel sector. In order to do so, the Government of Jordan has been working with a number of domestic and international stakeholders. The Government has dedicated significant resources to reforming and developing vocational and educational training programmes. A major initiative of the government in this regard is the Employment-Technical and Vocational Education and Training (ETVET) Sector Reform Project, which focuses on ensuring that vocational training is demand-driven and quality-based, and supports the development of a more globally competitive Jordanian workforce.

Understanding that the private sector is essential to the development of employment opportunities, the Government of Jordan has entered into a number of public-private partnerships, including in the hospitality, logistics, information technology, and construction sectors. One of these partnerships seeks to increase the employment of Jordanians in the apparel sector. The Satellite Factory Project brings work to unemployed Jordanians by establishing apparel manufacturing factories in areas more accessible to such workers. Two satellite factories have been established, employing approximately 350 Jordanian women most of whom were previously unemployed.

In summary, the progress made in labour administration and compliance over the last three years reflects the full commitment of the Government of Jordan to establish Jordan as a positive model on workplace issues. Perhaps no single initiative better demonstrates this commitment than the ILO Better Work Jordan Project, which involves full international accountability for the efforts of the Jordanian Government. In short, the Government of Jordan, in partnership with domestic and international stakeholders, has embraced the challenge to be a leader on achieving labour compliance and quality employment for all workers and employers in Jordan.